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ABSTRACT

Changes in the labor market and rising expectations of employers, government, and job seekers are putting enormous pressure on non-profit, community based organizations (CBOs) in the field of work force development. Providing intensive services for hard-to-serve populations costs more than serving clients who are more "job ready," yet increased competition for government contracts is driving down prices. CBOs may have many different looks but they face remarkably similar problems: many simply do not know how to meet the new demands of the labor market for disadvantaged job seekers, and many have limited capacity to do what is needed to become more effective providers in the labor market. To respond to the challenges, CBOs can commit to organizational change; collaborate to learn and gain strength in the marketplace; adopt a "dual customer" approach; find out what employers are looking for--and respond to it; learn what it takes to be an effective work force provider; develop strong ties with human services providers; develop the organization's "cultural competency;" start using data to improve the organization's performance; and initiate dialogue with government officials and other potential partners about ways to help CBOs build capacity to improve their performance. (YLB)

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# RESPONDING TO A CHANGING LABOR MARKET:

## The Challenges for Community-Based Organizations

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*Prepared for the Annie E. Casey Foundation, this research brief is the fourth in a series of updates related to issues around retention and advancement for low-income residents and lessons learned from the Foundation's six-city Jobs Initiative. For more information about the Jobs Initiative, go to www.aecf.org/jobsinitiative.*

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## RESPONDING TO A CHANGING LABOR MARKET: The Challenges for Community-Based Organizations[1]

### Uncommon Collaborations

On a cold, wet day in Chicago, some 400 ex-offenders—all men—turned up at a job fair in a Baptist church. "I was blown away," says Brenda Palms-Barber, executive director of Chicago's North Lawndale Employment Network and the organizer of the event. "These were people who really wanted to be connected to jobs and needed a lot of service." But, she continues, although dozens of community-based organizations were in the neighborhood, no one organization could handle that much demand. So the CBOs worked together to address the need. "We formed a coalition of at least 35 organizations," Palms-Barber says, and within months it had developed a plan to start providing services.

In St. Louis, over a score of CBOs are trying an unprecedented collaboration. Working with a facilitator, their leaders first came together to discuss their organizations' strengths and weaknesses. That gave some of them an idea, says Jim Moore of Workforce Partners, who helped set up the session. "People saw opportunities to partner, to pair strengths and weaknesses." Eleven organizations committed to working together, a number that eventually grew to twenty-two. Together, they assess grant opportunities from government and foundations to decide if they should pursue them collaboratively. Their "success rate" when they go after funding is an impressive 50 percent, says Moore.

Seattle CBOs delivering workforce development services found themselves strapped for resources when state and local agencies started applying tougher, performance-based contracts. "A lot of CBOs don't have the people power to deliver the services," says Heyward Evans of the Central Area Motivation Project (CAMP). So three CBOs tried working together in a new way: by jointly funding a single employee whom they all shared. "Normally, each of us wants to do it all by ourselves," says Rita Ryder of the YWCA in Seattle.

For most CBOs, collaborations of this sort are a radical departure from business as usual. Normally, they are "territorial and competitive with each other," says Jeff Jablow, executive vice president of Wildcat Services Corporation, a leading nonprofit workforce provider. Normally, he says, "[they] like each other and talk but don't tell each other anything."

These days, however, very little is normal for community-based organizations in

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[1] This paper documents a conference sponsored by the Annie E. Casey Foundation for Jobs Initiative sites, CBO partners of the sites, and other interested community-based organizations. The conference was held in Chicago on April 27-28, 2000.

the world of workforce development.

**Rising Demands**

For community-based organizations in the workforce development business, the nationwide clamor of employers and government agencies looking for ways to get disadvantaged people into jobs has been good news—and bad news as well.

Thanks to prolonged economic growth, businesses have more jobs than they know how to fill, and that have become more open to employing the disadvantaged. At the same time, welfare reform policies that emphasize employment rather than income maintenance have substantially increased government's interest in and budget for placing the disadvantaged into jobs.

As demand rises for services that help the poor get employment, so do the demands on providers of those services. The businesses and governments paying the bills want *results*—for placing people into jobs, not just for training people for jobs. "Employment, not employability, is the goal now," explains Wildcat's Jablow. "Employers are looking to get more and spend less. Organizations that do not meet employer expectations will have fewer people to serve."

Businesses as well as job seekers want placement, training, and other employment services that are "more efficient, less risky, and less costly," according to a report by Jobs for the Future, a national developer of workforce policies, programs, and systems.[2] And government agencies that used to pay for placement alone are adding job retention, increased earnings, and employer satisfaction to their demands.[3]

As performance standards have gotten tougher, so has the task of getting the disadvantaged into good jobs. Many entry-level jobs are dead-end positions, and the traditional career ladders that once led from such work to higher wages are disappearing. Furthermore, as the strong economy has increased employment of

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[2] For a summary of the economic and public policy trends, see Chris Evans and Richard Kazis. 1999. *Improving the Employment Prospects of Low Income Job Seekers: The Role of Labour Market Intermediaries*, sponsored by the New Deal Task Force and the Rockefeller Foundation, pp. 11-14.

[3] Increasingly, governments are promoting long-term goals, such as job retention, earnings over time, job quality, and skill development, as well as employer satisfaction with new hires and the value added of intermediaries. For instance, the federal Workforce Investment Act is introducing these sorts of indicators. In some states, economic development funds target firms that demonstrate jobs will pay wages above the average rate in the area.

"ready to work" disadvantaged people, those left behind for providers to help are the "hardest-to-serve" populations, such as ex-offenders or non-English speakers, for whom there are few proven models of large-scale success. "We're down to people with many barriers to employment," says Jocelyn Lui, of Seattle's Human Services Coalition. "The clients are different than just a few years ago," echoes another CBO leader.

Changes in the labor market and rising expectations of employers, government, and job seekers are putting enormous pressure on thousands of non-profit, community-based organizations in the field of workforce development. Such organizations, says Jablow, "have not traditionally been thought of as organizations that needed to be competitive. Many of them operated in a non-market or a 'grants economy' in which there were few incentives to limit or define or improve the quality of services."

Some CBOs say they are caught in a squeeze, especially when it comes to government funding of workforce services for the poor. Providing intensive services to hard-to-serve populations costs more than serving clients who are more "job-ready," yet increased competition for government contracts is driving down prices. At the same time, performance-based contracting, which may delay final payments until after clients served have been placed in jobs or even stayed in their jobs for months, can stretch out cash flows of CBOs. "Government's performance-based contracts seldom cover all the bills" for providing labor-intensive services, says Elliott Wright, a consultant for the National Congress for Community Economic Development, who has studied faith-based workforce providers.[4] As costs rise and prices decline, some CBOs find themselves in financial trouble. "We end up with cash-flow problems," says Ann Williamson, director of employment and training for CAMP in Seattle. "What are we supposed to do?" Others end up in debt they cannot repay, says Wright. More generally, CBOs caught in this financial vice simply can't generate the resources to build their own managerial, technological, and staff capacities to respond to the labor market's new demands.

The new performance-oriented environment is shaking up these organizations and raising questions about their role in the emerging labor-market system that serves the poor. "More than ever, this issue is on the minds of foundations, state governments, and communities," says Marlene Seltzer, interim CEO of Jobs for the Future. "How do you create a workforce system that is high performing and has CBOs and local nonprofits at the center of the service delivery system?"

Some observers are concerned that community-based organizations are not

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[4] Elliott Wright, *Faith-based Workforce Development: Programs of Promise and Their Challenges*, produced for Annie Casey Foundation conference, April 2000.

making the grade. When the Annie E. Casey Foundation launched its Jobs Initiative to build workforce development systems for the poor in six regional sites, it assumed that CBOs would be a key part of the system. "Our initial notion was to have 'community partners' for recruitment, assessment, training, post-placement support, and long-term advocacy," says Bob Giloth, senior associate at Casey and the initiative program officer. "We thought you had to anchor the systems in the neighborhoods." However, more than three years into the initiative, Giloth says, "Every site has raised the issue that these partners aren't working as well as we want."

In one Jobs Initiative region, says a local site manager, "the CBOs' attitude was, 'All that [public] employment funding is for us. Just give us the money and leave us alone.'" In another site, a well-respected CBO took responsibility for recruiting thousands of community residents to the employment process but did not to deliver on its performance targets. CBOs bristled at another site's insistence on using performance-based contracts. One Jobs Initiative site ignored CBOs altogether, while another built its own neighborhood-based system for recruiting and avoided relying on CBOs.

In April 2000, with the Casey Foundation's support, about 25 workforce development organizations met in Chicago to explore concerns about CBOs and potential responses to the challenges they face in the changing labor market. The participants reflected much of the diversity of community-based entities: they came from small, grassroots organizations and multi-million dollar enterprises; ethnic-, gender-, faith-, and place-based entities; service providers and advocacy organizations; single organizations with long histories and fledgling collaboratives involving dozens of organizations.[5] Their discussions revealed much about the unexpected challenges presented by the labor market's changes—and some promising ways that CBOs are responding, as witnessed by the uncommon collaborations in Chicago, St. Louis, and Seattle.

## Tough Challenges

Community-based organizations may have many different looks, but the problems they face are remarkably similar.

***Many CBOs simply don't know how to meet the new demands of the labor market for disadvantaged job seekers.*** They are used to delivering training, not to supporting placement, retention, and advancement in jobs. They don't

[5] The number of faith-based workforce development intermediaries has increased in number substantially in the 1990s. Elliott Wright, a consultant with the National Congress of Community Economic Development has produced interesting analyses of their activities. More information is available at www.ncced.org/fbi/fbr.html.

know much about what skills employers are seeking and often operate training programs that do not prepare people for jobs that are available.

In short, when it comes to performing in the more demanding labor market, CBOs usually start in the hole. Brenda Palms-Barber, of Chicago's North Lawndale Employment Network, assessed the capacities of that neighborhood's CBOs. She found they had "limited rapport with employers, difficulty producing work-ready employees who met industry standards, [and] no standardized approach to training job candidates. Moreover, she says, they were not using "state-of-the-art methods for assessment of candidates' skills, and they provided limited follow-up and retention support for the people they placed in jobs." Also, placement rates were very low.

***Many CBOs have limited capacity to do what's necessary to become more effective providers in the labor market.*** In other words, they have few tools or resources to get out of the hole they are in. CBOs are undercapitalized. "Working capital, venture capital, and capital for upgrading information technology and other facilities and equipment are difficult to secure," reports Jobs for the Future (Evans and Kazis 1999, p. 27).

CBOs are missing other essential resources, too, says Palms-Barber. The North Lawndale CBOs, for instance, lacked "grant writers, people with relationships in the state capital, people to advocate for the organization, to do post-placement and follow up. They had no tracking system in place; they simply hoped that if people needed follow-up they would call them."

Most nonprofits "haven't a clue about what data they ought to be gathering and how to keep track of it over time," adds Rudeen Monte, director of Community Impact Consulting, Inc., which helps nonprofit organizations build their capacity.

"CBOs are thin or lacking in professional management and fiscal controls, and weak in information technology," observes Wildcat's Jablow.

### Why CBOs Matter

In light of these serious problems, which will require significant effort to solve, it is fair to ask why workforce development CBOs matter in the labor market. Perhaps they are becoming an anachronism that should be allowed to fade away.

The answer lies in the fact that the type of provider that will be most effective varies across communities. "Local circumstances, traditions, institutions, and market conditions are important determinants of how—and whether—intermediaries evolve," observe Evans and Kazis. "There are likely to be a number of intermediaries in a given community"(Evans and Kazis 1999, p.

26). In New Orleans, for instance, three CBOs—an association of public-housing tenants and two faith-based coalitions—identifies and recruits people living in and around two public housing complexes.

In some communities, CBOs may play a distinct role in the labor market's infrastructure of public, private for-profit, and nonprofit providers. Unlike other organizations, their mission is to serve the community's needs, and they are accountable, through their boards of directors, to people in the community they serve. They focus on a place, not just on customers, as many other nonprofits do, and not on making profits, as private providers must. In theory, then, CBOs' knowledge of and connections to community residents may make them more effective in performing at least several workforce development functions: recruiting and assessing residents for workforce development programs, especially in low-income neighborhoods; integrating employment and training with social service and community development activities; and developing community-sensitive, public policy agendas for labor market reform.

Although CBOs may possess this theoretical "benefit of place," it hardly seems sufficient to assure them a place in a market that is growing more and more concerned with performance. Nowadays, what matters is satisfying employers and job-seekers. For CBOs, that inescapably means having to significantly improve their performance.

CBOs that focus on community organizing and empowerment may see little reason to get into the business of providing workforce development services. That's because they are two very different kinds of activity, requiring different motivation and skills and providing different kinds of rewards. The workforce development business requires a customer-service approach, careful attention to detail, and the ability to manage the "cases" of dozens or hundreds of people at the same time. The intangible rewards come from helping individuals achieve a better life; the tangible rewards are payments for successful placement of clients in jobs, and retention and advancement of those clients. Community organizing requires a passionate commitment to a cause and the ability to identify and mobilize key sectors of the community. Intangible rewards frequently outweigh the tangible ones and come from satisfaction at seeing long-term changes that benefit vulnerable members of the community.

**Responding to the Challenges**

For CBOs seeking their place in the new labor market, the many pressures to improve performance—to change—can be overwhelming and confusing. The gap between where CBOs are today and where they have to be in order to succeed in changing labor markets may seem unbridgeable. How can CBOs get from here to there? Essentially, says Jobs for the Future's Marlene Seltzer, they

must "enhance their programmatic capacity to serve low-income people, and they must create adaptive capacity in their organizations."

Easier said than done, of course—but discussions among CBO leaders and expert organizations, such as Jobs for the Future and Community Impact, reveal that community-based organizations and their allies are taking actions that perhaps start to show the way.

***To Respond to the Challenges, CBOs can:***

Commit to organizational change.

Collaborate to learn and gain strength in the marketplace.

Adopt a "dual customer" approach.

Find out what employers are looking for—and respond to it.

Learn what it takes to be an effective workforce provider.

Develop strong ties with human service providers.

Develop the organization's "cultural competency."

Start using data to improve the organization's performance.

Initiate a dialogue with government officials and other potential partners about ways to help CBOs build capacity to improve their performance.

**1. Commit to organizational change.**

First and foremost, CBO leaders should acknowledge that the old days of workforce development are over: their organizations must change their ways. As Jablow puts it, they should recognize that "CBOs engaged in workforce development will need to embrace and adopt the culture and demeanor of commercial enterprises." And they should commit to that sort of full-scale change, not just to doing some things a little differently. Of course, they may decide to pilot change on a small scale, but they should leave no doubt that their organizations cannot turn back.

When organizing change, says consultant Rudeen Monte, every aspect of the organization is a potential target. She identifies six organizational competencies that should be examined and improved: board/governance, financial management, human resources management, strategic planning, collaboration with partnerships, and outcomes/quality.

The organization's commitment to change must be sustained—through thick and thin, and over time. Changing Wildcat Services, which has grown into a $60-million-a-year provider in New York City, was a slow process: "like turning the Queen Mary," says Jablow. "It took us two years to go through the culture and behavior shifts. One needs to be persistent and relentless."

Leaders must communicate effectively to members of the organization and its stakeholders about why change is needed. "Change is hard," says Carol Hedges, director of the Denver Workforce Initiative. "But we've gotten to the point where people see why we have to change: it's to do better."

**2. Collaborate to learn and gain strength in the marketplace.**

By uniting their efforts, some community-based organizations find the strength they need. In North Lawndale, 37 CBOs came together in April 2000 to examine and adopt the same tool for preparing clients for employment, the Work Readiness Index.[6] "They left excited and committed," says Brenda Palms-Barber. "This puts all of us on the same page when we talk about work readiness." When she hosted a panel of human resources directors of area hospitals, 45 providers showed up for the discussions, then worked together to design a customer-service curriculum for training prospective hospital employees.

These and other CBO collaborations tend to focus on three types of activity:

*Assessments of capacities*, such as the scouting that Palms-Barber conducted in North Lawndale, help reveal a CBO's strengths and weaknesses.

*Learning* was the focus of the talks among three CBOs in the Seattle area. "We're looking for fresh ideas," says Anne Williamson of CAMP.

*Joint action* is illustrated by the collective bidding that occurs in St. Louis or the design of an ex-offenders program by Chicago CBOs.

**3. Adopt a "dual customer" approach.**

Successful workforce development providers recognize that they must simultaneously serve employers and individual job seekers. For most CBOs, this means that, for the first time, they must make employers a primary customer—and meet that customer's requirements. That said, CBOs have a

[6] The Work Readiness Index was created by the Denver Workforce Initiative, one of the sites in the Casey Foundation's Jobs Initiative.

community-oriented mission; they should not become exclusively employer-driven. Instead, notes Wildcat's Jeff Jablow, CBOs need to serve commercial *and* community or social interests. "It's the blending of the two that is the real challenge."

As a practical consideration, then, dual-customer, workforce development organizations must have staff, processes, and services that can help both employers and hard-to-employ clients. "Playing this role well," says Jobs for the Future, "requires the development and maintenance of a particular mix of services, staff skills, organisational capacity, and relationships in the local community and labour market" (Evans and Kazis 1999, p. 4).

**4. Find out what employers are looking for—and respond to it.**

Employers want to solve their labor problems, not the community's troubles. CBO workforce providers have to know employers' workforce development practices and problems. This usually requires doing more than simply asking employers. Jablow:

> *The truth is we give employers more credit than they deserve. We have to be careful about what employers tell us they want. Every employer surveyed says they're looking for reliability, punctuality, and, way at the bottom, skills. So we send them that and the first thing they say is, "This person can't do anything." They were really saying they wanted someone who was <u>at least</u> reliable.*

Success as a workforce intermediary increasingly requires *customized* solutions for different employers or clusters of firms. Jobs for the Future reports that "some of the most successful intermediaries in the US and the UK have responded to employer requests with customized programmes rather than trying to convince employers to take an 'off the shelf' training programme" (Evans and Kazis 1999, p. 24). Furthermore, the service must be "at least comparable to what they can get elsewhere at similar price and quality" (Evans and Kazis 1999, p. 26).

Paying attention to employers matters even if a CBO is relying on public funds for workforce development. For one thing, new Workforce Investment Act rules will increasingly assess CBO success (and eligibility for funding) based on placement and retention rates in workplaces. Increasingly, elected officials are empowering employers to determine the use of public workforce development funds.

**5. Learn what it takes to be an effective workforce provider.**

Many community-based organizations have limited experience in workforce

development. They have tended to focus on training services that government agencies would pay for, not the placement, retention, and advancement services that employers, job seekers, and the public sector now seek. To offer new services or a full continuum of services, CBOs need to understand what works and what doesn't when it comes to helping the unemployed and employers.

The key is job matching: connecting the right people with the right employers. "'Right' does not just mean 'available,'" says Jablow. "It means qualified, work-ready, and able to perform in the culture and pace of the targeted workplace." According to Jobs for the Future, research indicates that "the quality of the initial job placement (in terms of wages, benefits, and opportunities for advancement) is the single most powerful determinant of the success of employment and training programmes" (Evans and Kazis 1999, 7).

*First,* answer the question, which employers do we care about? Be as specific as possible. The answer may be "owners of small machine shops within commuting distance" or "all owners and franchisees of fast-food establishments in our labor market."

*Second,* define clearly what you want to know. Especially when dealing with an unfamiliar industry, it may be helpful to seek thoughtful input from friendly people knowledgeable about it. Some places to seek that input are: members of local churches, the chamber of commerce, faculty members at local colleges, and library resource rooms, which often collect extensive information about the economy and business.

*Third,* consider what information collection method best addresses the key issues. Three options:

*Focus groups* are helpful when trying to find out the answer to a broadly conceived question *and* the reasoning behind the answer. Example: what's going on inside employers heads when they say they want punctual people who can tie their shoes, then complain when applicants can't "do anything?"

*Surveys* can provide more precise answers to such questions as "how many local employers really want applicants trained in Microsoft Office?" or "how many local employers are willing to waive drug testing for applicants?"

*Employer advisory groups* are most valuable when there's a long-term task, such as developing skill standards. Trade associations (whose member firms all work in the same industry) are a good place to start when seeking employers willing to commit time to a particular project.

**6. Develop strong ties with human service providers.**

Helping the hardest-to-employ job seekers usually involves providing them with social services—child care and substance abuse programs, for instance—that increase their likelihood of finding and keeping jobs. Some community-based organizations may try to provide these along with workforce development services. In New Orleans, church-based, social service organizations added pre-employment training and job placement to their services. Job-seeking clients were more comfortable working with an agency they already knew, according to New Orleans Jobs Initiative managers.

Other CBOs may find it wiser to separate employment and social services. If they are blended, says Jeff Jablow, it is too easy for clients to come in "looking for unconditional love, support, and emergency assistance" and pay no attention to "advice about employment." Instead, he suggests, the workforce development intermediary should build connections to local service providers.

**7. Develop the organization's "cultural competency."**

Over its 90-year-history, Lessie Bates Davis Neighborhood House has seen its East St. Louis community change from mostly Polish to 99 percent African-American. There are few jobs in the neighborhood, so the CBO must reach out to organizations in surrounding white and Hispanic neighborhoods to place its black clients, says Tom Rhodenbaugh of the St. Louis Regional Jobs Initiative. When Lessie Bates Davis Neighborhood House began an effort to partner with one organization, unexpected "cultural" problems arose. For instance, when the relative of a staff member died, the entire organization attended the funeral instead of a planned meeting with the partner. "The other staff was angry," recalls Johnnie Penelton. "Their perception was, did we *all* really have to go? Ours was, the more people who showed up, the more respected that person was."

This sort of misunderstanding, even intolerance, is built into much of our social fabric and may loom in many ways as a barrier for workforce CBOs trying to serve the poor. In Chicago, for instance, an organization trying to decide where to locate its offices faced the fact that part of its territory was African-American and part was Hispanic, and the parts rarely mixed. "People don't cross over these boundaries," says Brenda Palms-Barber. "There is strong neighborhood identification by race and culture."

Community-based organizations should become "culturally competent," adept at surfacing and managing issues of race, class, and culture, advises Sharon Walter, principal of Interim Solutions, Inc., and a participant at April's conference.

**8. Start using data to improve the organization's performance.**

Information is key to improving workforce development organizations (or any other enterprise). Without it, you can't know how you're doing, what to improve, or whether your improvements are working. As Jobs for the Future notes, there are many types of information to gather—and all are important (Evans and Kazis 1999, 25):

> *Management information systems enable organisations to know more about the skills, work experience, and backgrounds of those they place. They also make it possible for programmes to track placements and the labour market progress of clients. Careful analysis of programme data can identify weaknesses and point toward strategies for improvement.*

It's easy to underestimate the importance of gathering good data—and fatal to any effort to improve performance. Workforce providers must be able to collect and cull data for all areas in which they are engaged: employer satisfaction, as well as employee recruitment, placement, retention, and advancement. And they must learn how to use the information to improve their services and outcomes.

**9. Initiate a dialogue with government officials and other potential partners about ways to help CBOs build capacity to improve their performance.**

Government purchasing of workforce development services is undergoing a revolution. Increasingly, it is becoming more competitive and performance-based, and it demands unprecedented results, such as job retention and advancement. As noted, this can create serious financial pressures on CBOs and, as some CBO leaders point out, it can lead to gaps in services for hard-to-serve populations.

What are CBOs supposed to do in the face of "lean contracting" by the public sector? The answer is they must engage government officials—and other parts of their community's civic infrastructure—in a dialogue about the kind of workforce development system that is being built. Government officials that see CBOs as just another provider in the marketplace are unlikely to change their contracting practices. If they believe that community-based organizations have a unique role to play in the workforce development system, they are more likely to consider a contracting approach that helps CBOs build the capacity they need to improve their performance.

In Seattle, what began as a performance-contract push by government officials within the Seattle Jobs Initiative to force CBOs into better performance has gradually become a conversation among the organizations and government agencies. They are talking about the role and need for community-based organizations in workforce development—and how to ensure that CBOs succeed

in a more competitive labor market. "If CBOs are stronger and healthier, it helps the Seattle Jobs Initiative," says Judy Summerfield, who manages the initiative's contracts with CBOs. That recognition could lead to a broader effort to upgrade CBO performance *without* abandoning performance standards.

CBOs can also look to other potential partners—employers or foundations—for resources to increase their own performance capacity. And some CBOs have launched revenue-generating businesses to do the same.

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Grantmakers Concerned with Immigrants and Refugees. www.gcir.org. Resource and clearinghouse for community-based organizations working with America's increasingly diverse ethnic populations.

The Southern Institute on Children and Families. www.kidsouth.org. This Web site provides information and resources for making public services, such as health and child care, accessible to working people.

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